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April 30, 2002

Electronic Filing
Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th St., SW, Room TWB-204
Washington, DC 20554

Re: FCC Seeks Comment On AT&T Request to Contribute to Universal Service
Based on Projected Revenues, CC Docket No. 96-45, DA No. 02-376

Federal-State Joint Board on Universal Service, CC Docket No. 96-45; 1998
Biennial Regulatory Review – Streamlined Contributor Reporting Requirements
Associated with Administration of Telecommunications Relay Service, North
American Numbering Plan, Local Number Portability, and Universal Service
Support Mechanisms, CC Docket 98-171; Telecommunications Services for
Individuals with Hearing Speech Disabilities and the Americans with Disabilities
Act of 1990, CC Docket No. 90-571; Administration of the North American
Numbering Plan and North American Numbering Plan Cost Recovery
Contribution Factor and Fund Size, CC Docket No. 92-237, NSD File No. L-00-
72; Number Resource Optimization, CC Docket No. 99-200; Telephone Number
Portability, CC Docket No. 95-116; and Truth-in-Billing and Billing Format, CC
Docket No. 98-170

Dear Ms. Dortch:

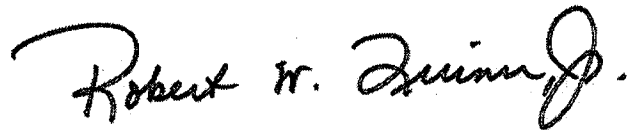
On Monday April 29, 2002, Lou Delery, Joel Lubin, Dale Lifson and I met with Dorothy Attwood, Chief of the Wireline Competition Bureau, Carol Matthey, Deputy Chief of the Wireline Competition, Jessica Rosenworcel, Counsel to the Bureau Chief, Katherine Schroder, Chief of the Telecommunications Access Policy Division, Eric Einhorn and Paul Garnett, both of the Telecommunications Access Policy Division. During the course of that meeting, we stressed the need for the Commission to grant AT&T's request to, on an interim basis, contribute to universal service based on projected revenues as a first step towards reforming the universal service

assessment and collection mechanism. We highlighted the fact that the current assessment mechanism (which assesses AT&T, and consequently AT&T's customers, based on six-month old revenue data) results in AT&T's customers bearing a disproportionately higher share of the universal service contribution in the long distance marketplace. That fact is reflected in the current AT&T collection rate of 11.5% versus other carriers in the marketplace whose collection rates are significantly lower due solely to the fact that their interstate revenues are increasing. We reiterated that the current assessment mechanism, which bases assessment on (six-month old) interstate revenues, is irretrievably broken. AT&T's waiver would represent a first step at addressing the current inequitable mechanism, but that it should be only a first step.

We stressed the need for the Commission to also permanently fix the universal service contribution mechanism by adopting a per connection assessment methodology consistent with AT&T's and other carrier's comments as soon as possible for implementation on January 1, 2003. The attached timeline was distributed and discussed during the meeting.

The positions expressed by AT&T were consistent with those contained in the Comments and ex parte filings previously made in the aforementioned dockets. One electronic copy of this Notice is being submitted for each of the referenced proceedings in accordance with the Commission's rules.

Very truly yours,

A handwritten signature in black ink, reading "Robert W. Quinn". The signature is written in a cursive, flowing style with a large, stylized "Q" at the end.

Enclosure

cc: Dorothy Attwood
Carol Matthey
Jessica Rosenworcel
Katherine Schroder
Eric Einhorn
Paul Garnett

OPERATIONALIZING AT&T's WAIVER REQUEST
Effective July 1, 2002 for 3rd Quarter with 4th Quarter Implementation of CoSUS Proposal

- AT&T files projections of revenues for the 3rd Quarter of 2002 with USAC (Prospective 499Q) – 5/21/02
- FCC grants AT&T waiver by May 23, 2002
- USAC calculates the revenue assessment rate for the 3rd Quarter of 2002 by dividing the projected USF funding requirements by the revenue base adjusted to remove AT&T historical revenues and replace with AT&T projected revenues for the 3rd Quarter of 2002 – May 23, 2002.
- USAC bills respective Carriers based on their submissions according to the current billing schedule – July 15, August 15, and September 15
- All carriers remit contributions according to current payment schedule – August 15, September 15, and October 15
- FCC Issues Order and FNPRM regarding CoSUS Proposal – September 15, 2002

OPERATIONALIZING AT&T's WAIVER REQUEST
Effective July 1, 2002 for 3rd Quarter with 4th Quarter Implementation of CoSUS Proposal
(cont'd)

- FCC issues a public notice containing all the initial assessment rates of CoSUS Proposal to be effective 4thQuarter¹–
September 30 2002
 - Residence wireless and wireline, Single line business, and Wireless business customers would be assigned an assessment rate of \$1 per month per line/number
 - Lifeline customers would be assigned \$0
 - Pagers would be assigned \$0.25 per number per month
 - Special Access and Private Line services would be assessed at 3rd Quarter revenue-based assessment rate
 - The switched Multiline business rate would be calculated as a residual by taking USAC's projected size of the federal USF funding requirement for the 4th Quarter, increase that estimate by a factor to create a reserve against the initial USF assessments not collected and remitted by the contributors,² subtracting the estimated revenues to be collected from residential and single line business, non-paging CMRS, paging and special access/private line, and dividing by the administrative estimate of switched Multiline business lines.
- Carriers contribute to USF based on a collect and remit basis –November 30th, December 30th, January 30th
 - Carriers apply USF to monthly billings for October, November, and December
 - Carriers remit USF receipts to USAC on November 30th, December 30th, and January 30th
- Continue quarterly until implementation of Post-transition phase of CoSUS Proposal

¹ For the 4th Quarter, the estimates for line counts and revenues for all customer classifications would be based on the Commission's analyses of various sources. The proposed Form 499-M is not expected to be available for setting the initial assessment rates.

² This would replace the existing reserve for amounts uncollectible from contributors. It would be prudent for the Commission to establish a small reserve to cover the initial adjustments for uncollectibles under collect and remit.

OPERATIONALIZING AT&T's WAIVER REQUEST
Effective July 1, 2002 for 3rd Quarter with 4th Quarter Implementation of CoSUS Proposal
(cont'd)

- True-up Mechanism³ - Applied in 1st Quarter 2003
 - USAC compares AT&T projected revenues for 3rd Quarter 2002 with actual revenue from November 1st Form 499-Q⁴
 - USAC calculates the AT&T (plus/minus) adjustment to the 3rd Quarter assessment based on the difference between the projected revenue base and actual revenue base.
 - USAC applies the AT&T adjustment as an increment to the 1st Quarter 2003 USF funding requirement⁵
 - USAC settles with AT&T based on the difference between their projected revenues for the 1st Quarter and their actual revenues from their May 1st Form 499-Q.

³ True-ups are applicable to any quarter for which usf assessments are based on carrier projected data. Adjustments are made to the usf assessments for the second quarter following the quarter that is based on projected data, i.e., the 3rd Quarter 2002 assessments are "trued-up" in the 1st Quarter 2003.

⁴ AT&T will submit a 499-Q which reflects the 3rd Quarter actual revenues in addition to the 499-Q based upon connections.

⁵ If AT&T actual revenues for the 3rd Quarter exceeded the projections, then the 1st Quarter 2003 USF funding requirement can be lowered as the difference will be made up by USAC settlements with AT&T. If the projections for the 3rd Quarter exceeded AT&T's actual revenues, then the 1st Quarter 2003 USF funding requirement must be raised to reimburse AT&T, who overpaid in the 3rd Quarter.